



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 17, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **CHICANA SERVICE ACTION CENTER, INC. CONTRACT REVIEW – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER – FISCAL YEAR 2007-08**

We completed a program, fiscal and administrative contract compliance review of Chicana Service Action Center, Inc. (Chicana or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Chicana, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. Chicana's office is located in the First District.

Chicana is compensated on a cost reimbursement basis and had a contract for \$395,779 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Chicana complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Chicana provided services to eligible participants. However, Chicana billed CSS \$46,116 in questioned costs. Specifically, Chicana:

- Did not maintain adequate documentation to support program shared expenditures totaling \$36,355. Specifically, Chicana allocated 35% of shared program expenditures to the WIA Adult Program, 35% to the WIA Dislocated Worker Program and the remaining 30% to a non-WIA related program. However, Chicana did not provide adequate documentation to support the allocation percentages.
- Billed and received \$9,761 more than their contract amount. Subsequent to our review, Chicana repaid CSS \$9,761.

In addition, the Agency did not always comply with WIA and County contract requirements. For example, Chicana did not:

- Meet one (25%) of the four FY 2007-08 planned performance outcomes for the WIA Adult program or two (50%) of the four FY 2007-08 planned performance outcomes for the WIA Dislocated Worker program.
- Register ten (77%) of the 13 participants sampled on the State of California Employment Development Department's CalJOBS system. CalJOBS is California's internet system for linking employers with individuals seeking employment. Subsequent to our review, Chicana registered all ten participants on the CalJOBS system.
- Report seven (54%) of the 13 participants sampled program activities on the Job Training Automation system.

Details of our review, along with recommendations, for corrective action are attached.

Review of Report

We discussed our report with Chicana and CSS on June 30 and December 8, 2008. On December 17, 2008, we requested that Chicana provide a plan on how they will implement the recommendations addressed in our report. However, as of March 9, 2009, Chicana has not submitted a corrective action plan or request for additional time to submit the plan. CSS will follow up with Chicana to ensure the timely submission of the Corrective Action Plan to CSS.

Board of Supervisors

March 17, 2009

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We thank Chicana for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Sophia Esparza, Chief Executive Officer, Chicana Service Action Center, Inc.
Phyllis Navarrette, Chairperson, Chicana Service Action Center, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CHICANA SERVICE ACTION CENTER, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Chicana Service Action Center, Inc. (Chicana or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 13 (57%) of the 23 participants that received services from July 2007 through February 2008 for documentation to confirm their eligibility for WIA services.

Results

All 13 participants sampled met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 13 (57%) participants that received services from July 2007 through February 2008. We also interviewed seven participants.

Results

The seven participants interviewed stated that the services they received met their expectations. However, Chicana did not always comply with WIA guidelines. Specifically, Chicana did not:

- Register ten (77%) of the 13 participants sampled on the State of California Employment Development Department's (EDD) CalJOBS system. WIA guidelines require contractors to register the participants receiving services at the Los Angeles County WorkSource Centers on the EDD's CalJOBS system. CalJOBS is California's internet system for linking employers with individuals seeking employment. Subsequent to our review, Chicana registered all ten participants into the CalJOBS system.
- Report the participants' program activities, such as individual counseling and supportive services, on the Job Training Automation (JTA) system for seven (54%) of the 13 participants sampled. The JTA system is used by EDD and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Follow-up with the participant after the participant exited the program on a quarterly basis for one (8%) of the 13 participants sampled.

Recommendations

Chicana management:

1. **Register all participants on the Employment Development Department's CalJOBS system, as required.**
2. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**
3. **Ensure that staff follow-up with exited participants on a quarterly basis.**

PERFORMANCE OUTCOMES

Objective

Determine whether Chicana met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract and to the program activities reported on the JTA system.

Results

In FY 2007-08, Chicana did not obtain at least 85% of their planned performance outcomes for enrollments and participants trained. During FY 2007-08, Chicana enrolled 73% of their planned enrollments and trained 25% of their plan for the WIA Dislocated Worker Program.

Recommendation

4. Chicana management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's January 2008 bank reconciliation.

Results

Chicana maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether Chicana's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and September 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, the Agency's Cost Allocation Plan was prepared in compliance with the County contract. However, Chicana billed CSS \$36,355 in questioned costs. Chicana allocated 35% of shared program expenditures to the WIA Adult Program, 35% to the WIA Dislocated Worker Program and the remaining 30% to a non-WIA related program. Chicana indicated that the allocation percentages were based on the square footage used by program. However, the areas allocated to the WIA programs were not consistent with our observations during our walkthrough. In addition, Chicana did not provide the adequate documentation to support the allocation percentages.

According to the County contract, Part II, Section 20.3.4, "contractor will retain on file all documentation supporting the methodology utilized to determine the reasonableness of the costs allocated to the cost-reimbursement activities," and, "failure to comply may result in no payment, or in a partial or reduced payment until contractor is in compliance." A similar finding was also noted during the prior year's monitoring review.

Recommendations**Chicana management:**

5. **Provide adequate documentation to support the expenditures or repay CSS \$36,355.**
6. **Maintain adequate documentation to support the allocation of shared program expenditures.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 48 non-payroll expenditure transactions billed by the Agency for July and September 2007, totaling \$39,488.

Results

The majority of the transactions tested were shared costs. As indicated above, Chicana's allocation percentages were not supported.

Recommendation

Refer to recommendation #6.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals and conducted an on-site visit.

Results

Generally, Chicana maintained sufficient internal controls over its business operations. However, Chicana did not conduct a fair market assessment for their facility. Specifically, Chicana extended the terms of the lease agreement in January 2007 for five additional years without conducting a fair market assessment. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments. This finding was also noted during the prior year's monitoring review.

On June 30, 2008, Chicana management indicated that they would provide documentation to support that fair market assessment for their facility was completed. However, to date, Chicana has not provided such documentation.

Recommendation

7. Chicana management conduct a cost or price analysis for lease transactions as required.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Chicana's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 70 items purchased with WIA funds, totaling \$95,008.

Results

Chicana used the equipment purchased with WIA funds for the WIA Programs. In addition, the items were safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether the Agency obtained criminal record clearances and verified employability for the employees assigned to the WIA program.

Verification

We traced the payroll expenditures invoiced for eight employees totaling \$6,059 for July 2007 to the Agency's payroll records and time reports. We also interviewed four employees and reviewed the personnel files for five employees assigned to the WIA programs.

Results

Generally, Chicana's payroll expenditures were appropriately charged to the WIA program and the personnel files were maintained as required.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2006-07 final close-out invoices for the WIA Adult and Dislocated Worker programs reconciled to the Agency's financial accounting records.

Verification

We traced Chicana's FY 2006-07 general ledgers to the Agency's final close-out invoices for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2007.

Results

Chicana's final close-out invoices reconciled to the Agency's financial records. However, Chicana billed and received \$9,761 more than their County contract. Subsequent to our review, Chicana repaid CSS \$9,761.

Recommendation

8. **Chicana management ensure that amounts billed to CSS are supported and do not exceed their total contract amounts.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2006-07 monitoring review were implemented. The report was issued on November 9, 2007.

Results

The prior monitoring report contained 12 recommendations. Chicana implemented seven recommendations. As previously indicated, the finding related to recommendations 2, 6 and 7 contained in this report were also noted during the prior year's monitoring review. The remaining two recommendations required the Agency to reallocate the FY 2006-07 shared payroll expenditures and repay CSS for any overbilled amounts, and work with CSS to resolve outstanding recommendations from our FY 2005-06 monitoring report.

Recommendation

9. Chicana management implement the outstanding recommendations.